

ACCOUNTING

Time allowed 1½ hours

Total Marks – 100

[N.B- The figures in the margin indicate full marks. Question must be answered in English. Examiner will take account of the quality of language and of the way in which the answers are presented. Different parts, if any, of the same question must be answered in one place in order of sequence.]

	Marks
1. What are the components to be included in a complete set of financial statements as per BAS 1?	6
2. A Company has two non current assets. Asset M was bought for Tk. 17,00,000 some years ago and is now valued at Tk. 49,00,000. This asset is not depreciated. Asset N was bought for Tk. 10,00,000 five years ago and has been depreciated at 10% on cost per annum. It is now valued at Tk. 16,00,000. There is no change to its useful life. Requirement: Show the journal entries of the revaluations and extract balance sheet of the non current assets and the revaluation reserve. Calculate the annual depreciation charge for assets N following the revaluation.	8
3. Differentiate between Finance Lease and Operating Lease.	6
4. What is the difference between Accounting Depreciation and Tax Depreciation. Calculate the year wise depreciation and written down value under two options from the under noted information. Cost of vehicle: Taka 100,000.00 Book rate of Depreciation: 20% on straight line basis Tax rate of Depreciation: 20% on reducing balance method Economic Life of the Asset: 5 years Residual value after 5 years: Taka 40,000.00 Sale proceeds of vehicle: Taka 35,000.00 Selling expense: Taka 5,000.00	3+5
5. Define accounting equation. How would each of these following transactions affect the accounting equation in terms of increase or decrease in asset, capital and liability? (a) Purchasing Tk. 1000 worth of goods on credit. (b) Paying mobile bill Tk. 350 (c) Paying Tk. 300 to a supplier (d) Selling Tk. 1200 worth of goods for Tk. 900	2+4
6. What is trade and cash discount? Flora Ltd recently purchased 50 televisions at the cost of Tk. 20,000.00 each. A 11% discount was negotiated together with a 5.50% cash discount if payment was made within 16 days. Calculate the following: a. total trade discount b. total cash discount	2+4
7. What is the income statement? On 1 January 2010, X had doubtful debts allowances of Tk. 1000. During 2010 he wrote off debts of Tk. 600 and was paid Tk. 80 by the liquidator of a company whose debts had been written off completely in 2009. At the end of 2010 it was decided to adjust the doubtful debts allowance to Tk.900. What is the net expense for irrecoverable debts in the income statement for 2010?	2+4
8. What is conversion cost and replacement cost? A business has valued its inventory at Tk.1000, being the selling price of the items. What is the cost of closing inventory at cost assuring the business operates? (i) On a margin of 25% (ii) On a mark-up of 25%	3+4
9. Explain the following terms as per BAS framework: a. Materiality and Aggregation b. Offsetting c. Neutrality and Completeness	9
10. A payable control account contains the following entries:	7
Tk.	
Discount received	4,150
Bank	73,200
Credit Purchase	81,230
Contra with receivables account	3,500
Balance c/d at 31 December 2010	7,310

[Please turn over]

- There are no other entries in the account. What was the opening balance brought down at 01 January 2010?
11. Rahmat, a sole trader, has agreed to sell his business to X Ltd for Tk. 1,17,000 in consideration to be paid in Tk.0.50 shares valued at Tk. 0.90 each. The following information is available about Rahmat's business as at the sale date:

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	Tk.
Cash	2,220
Fixed assets (net book value)	43,000
Creditors	3,250
Stock	2,100
Debtors	3,150

X Ltd values Rahmat's fixed assets at Tk. 45,000 and stock Tk. 2,000; Rahmat is to retain the cash and pay off the creditors.

Calculate:

- (a) The gain/ loss on realization in Rahmat's book.
 (b) Goodwill and shares to be issued by X Ltd.
12. Define the following:
- (a) Tangible and Intangible Asset
 (b) Goodwill
 (c) Share Premium

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13. Mr. Y maintains his accounts under cash system. For the year ended December 31, 2008 his net income was ascertained at Taka 24,200.00. He provides for depreciation on equipment Taka 200.00. The following information is supplied:

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	On 01.01.2008 Taka	On 31.12.2008 Taka
Accrued Fees	1,500.00	1,000.00
Outstanding Rent	500.00	500.00
Subscription to professional body	0.00	125.00

The estimate for depreciation excludes depreciation of Taka 50.00 on surgical equipment.

Show the necessary entries to convert his accounts into accrual system and prepare his Capital Account which has a credit balance of Taka 92,600.00 after transfer of profit of Taka 24,200.00 mentioned above.

14. The balance sheet of Quality Limited contains the following information.

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<u>Assets</u>	<u>Tk'000</u>
Non current assets	19,000
Current assets	<u>3,600</u>
Total assets	22,600
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Equity and liabilities

Ordinary shares of Tk.0.50 each	6,000
Share premium account	5,700
Retained earnings	7,000
Liabilities	<u>3,900</u>
Total equity and liabilities	22,600
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The company decided to make a 1 for 4 rights issue for cash, fully paid, at a price of Tk. 1.50 per share.

Requirement:

What are the balance for (a) current assets (b) ordinary shares and (c) share premium after the rights issue?

The End